

## COSTS OF AND FUNDING FOR IMPLEMENTATION

### IMPLEMENTATION ISSUE:

What will be the costs of implementing the REAL ID Act and how will those costs be funded?

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### IMPACTS AND CHALLENGES:

#### IMPLEMENTATION COSTS

The costs of implementing the REAL ID Act will depend upon various factors, many of which cannot be assessed until regulations are promulgated. Cost estimates for implementing the REAL ID Act vary widely, depending on the source of the estimate. The Congressional Budget Office estimated costs of \$120 million for implementation nationwide while the NCSL estimates costs between \$500 and \$700 million nationwide. Virginia DMV has attempted to estimate the costs associated with five possible REAL ID scenarios.

#### Non-compliance:

It is estimated that non-compliance with REAL ID would cost the Commonwealth only \$50,000. However, this is not a viable option because, in all likelihood, residents of the Commonwealth will desire or need compliant DL/IDs.

#### Compliance:

The cost of compliance varies, depending upon how the requirements of the Act are implemented, as shown below. Unless indicated otherwise, all options assume:

- Central issuance of DL/IDs will be in place, with credentials mailed to customers after verification has been completed<sup>17</sup>;
- Temporary grandfathering of existing credentials<sup>18</sup>
- Systems redesign costs of \$33 million;
- The verification of all customers' documents will be handled through electronic data exchanges;
- One-time costs of \$880,000 to build electronic data exchanges with all other DMVs in conjunction with AAMVA<sup>19</sup>;
- Recurring annual costs of \$164,000 to exchange DL/ID information with DMVs;

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<sup>17</sup> DMV plans to implement central issuance in the fall or winter of 2006, for purposes of enhancing security in the issuance of DL/IDs. Generally, under a central issuance process, applicants apply for a credential using the various application processes that are available; but, in all cases, the credential is produced at a central location and mailed to the applicant.

<sup>18</sup> Under temporary grandfathering, a credential in circulation on the effective date of the Act would be deemed compliant (acceptable for federal purposes) until its expiration date. If temporary grandfathering is not permitted by regulators, then the costs of implementing all compliance options would be significantly higher.

<sup>19</sup> AAMVA plans to build a DRIVeRS database to facilitate the exchange of customer information among all jurisdictions. The one-time programming costs to interface with this database are not known at this time, but are expected to be significant. This estimate is based on DMV's experience with building an interface to AAMVA's National Motor Vehicle Titling Information System (NMVTIS), but actual costs could be higher.

- One-time costs of \$587,000 to build four electronic data exchanges for verification of two proofs of identity, one proof of legal presence, and one proof of residency<sup>20</sup>;
- Recurring annual costs of \$246,000 to conduct four verification inquiries for each customer applying for a DL/ID;
- Variable one-time costs for the purchase of document scanners (the number of scanners varies depending upon the staffing requirements of each option);
- One-time costs of \$134,000 to purchase the technology needed to accommodate the storage of proof documents; and
- Annual recurring costs of \$17,000 for storing the images of the customers' proof documents.

**Compliance Option 1: Separate DL/ID Centers/On-site Document Verification.**

DMV could eliminate today's "one-stop" shopping model and create separate DL/ID centers. This approach would ensure that the impact of REAL ID is not imposed on customers wishing to conduct vehicle-related transactions.

Staff in the DL/ID centers would verify customers' documents while they wait<sup>21</sup>.

A receipt allowing customers to drive would be issued over the counter upon completion of the verification process.

The DL/ID would be mailed to the customer in 3 to 5 days.

Current average customer wait times of 20 minutes would be maintained.

This requires 40 additional facilities and 1,464 additional field and call center employees.

Estimated one-time costs: \$169 million

Estimated annual recurring costs: \$ 63 million

**Compliance Option 2: Two-Step Process with Headquarters Verification.**

DMV could utilize a two-step process and retain today's one-stop shopping service delivery model.

Applicants would submit their documents at a CSC but would leave with receipt, not a compliant credential.

Verification would be completed by staff at headquarters.

A credential would be mailed to the customer within 3 to 5 days after verification.

Current average wait times would increase by 4 minutes (19 percent).

The lag time between application and receipt of the DL/ID increases based on the length of time needed to verify all documents.

This does not require new facilities or field staff but requires leased space for headquarters verification staff and 111 additional staff to perform verification.

Estimated one-time costs: \$ 35 million

Estimated annual recurring costs: \$ 5 million

**Compliance Option 3: Two-Step Process with Customer Choice and Headquarters Verification.**

Utilizing the two-step process above, DMV could create the ability for customers to choose either a compliant or a non-compliant DL/ID. Potential benefits of this option include: (1) a reduction in the number of customer documents that must be verified, and (2) the potential to repeal Virginia's current legal presence statute so that those who are not able to prove lawful presence could obtain non-compliant driver's licenses. Today's one-stop shopping service delivery model would be retained.

This assumes that 70 percent of all customers would choose to obtain a compliant DL/ID.

Applicants would submit their documents at a CSC but would leave with a receipt and not a credential.

Verification of proof documents would be completed by staff at headquarters, but only for applicants for compliant credentials.

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<sup>20</sup> The electronic data exchange needed to verify SSN already exists.

<sup>21</sup> Electronic verification systems must be available and operational for this scenario.

The DL/ID (compliant or non-compliant) would be mailed to the customer within 3 to 5 days after verification.

Current average wait times would increase by 3 minutes (13 percent).

The lag time between application and receipt of the DL/ID increases based on the length of time needed to verify all documents.

This does not require new facilities or field staff but requires leased space for headquarters verification staff and 77 additional staff to perform verification.

Estimated one-time costs: \$ 35 million

Estimated annual recurring costs: \$ 4 million

***Compliance Option 4: REAL ID in Today's Environment.***

DMV could implement REAL ID without any additional facilities, staff, or changes in its current service delivery model.

Customers would present their proof documents at CSCs and wait while they are verified by CSC staff. At a minimum, this implementation option would increase average customer wait times to 71 minutes (a 258 percent increase).

Customer wait times would be significantly longer since verifications cannot be accomplished electronically.

Estimated one-time costs: \$ 35 million

Estimated annual recurring costs: Less than \$1 million (\$800,000)

## FUNDING SOURCES

Federal funds: Although Congress authorized federal funding, it is not likely that federal funds will be sufficient to fully cover the costs of implementing the REAL ID Act. To date, \$40 million dollars has been appropriated for implementation. Of this appropriation, \$34 million is dependent on approval of the DHS plan for implementation and \$6 million is earmarked for pilot projects to integrate hardware, software, and information management systems. Currently DHS is working with AAMVA to identify pilot projects that would provide the most benefit in planning for implementation.

State funds: It is likely that state funds will be necessary for covering a significant portion of implementation costs. As any implementation effort will be complex and protracted, funds will likely need to be made available much earlier than the effective date of the Act or any other implementation deadline.

Driver's license fees. Currently, the fee imposed for a driver's license is \$4 per year of duration, while the fee imposed for a five year ID card is \$10. Increasing the fees for these credentials, particularly compliant credentials, would also serve as a reasonable option for funding implementation of the REAL ID Act. It should be noted that increasing DL/ID fees would disproportionately impact those who are indigent.

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**TASK FORCE RECOMMENDATION:**

TO DETERMINE THE COSTS AND FUNDING THAT WILL BE NECESSARY FOR IMPLEMENTATION OF THE REAL ID ACT, VIRGINIA SHOULD PROMPTLY DETERMINE THE COMPLIANCE OPTION THAT WILL BE IMPLEMENTED.

The Task Force recommends implementation of Compliance Option 3. This option would be consistent with the Task Force's recommendation that Virginia comply with the REAL ID, but also offer Virginia residents an alternative credential for which not all requirements of REAL ID must be satisfied. Implementation of Compliance Option 3 would also seem to be consistent with DMV's plans to implement, in fall/winter 2006, a central issuance system for DL/ID.

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